

# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

January 17, 2006

## Budget Reconciliation Conference Report Rejects House-Passed Instructions

Dear Democratic Colleague:

On Wednesday, February 1, the House is scheduled to vote on the Senate-passed version of the conference report on the spending cut reconciliation bill, S. 1932. This version – which passed the Senate on December 21 by a 51-50 vote with Vice President Cheney casting the tie-breaking vote – is virtually identical to a version approved by the House by a 212-206 margin in a predawn vote December 19.

The original House vote came just hours after the conference report was filed, providing Members virtually no time to review the legislation. Full review of the bill makes clear, though, that the conference report rejects the clear instructions provided by the House in a motion to instruct conferees approved December 16 on a bipartisan vote of 246-175. The text of the motion to instruct conferees is attached.

As the attached document – prepared by the Democratic staff of the House Budget Committee – makes clear, the conference report rejects the motion to instruct in the following areas:

- Child Support Enforcement
- Medicaid Beneficiary Cost Increases and Cuts to Benefits
- Student Loan Fees
- PPO Slush Fund
- Medicare Physician Payments
- Byrd Amendment

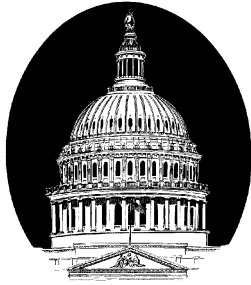
I hope you find the attached information useful. Please do not hesitate to contact me or the House Budget Committee's Democratic staff with any questions.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member



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The original House vote came just hours after the conference report was filed, providing Members inadequate time to review the legislation. Full review of the bill makes clear, though, that the conference report rejects the clear instructions provided by the House in a motion to instruct conferees approved December 16 on a bipartisan vote of 246-175. The text of the motion to instruct conferees is attached.

In particular, the conference report rejects the motion to instruct in the following areas:

***Child Support Enforcement*** — The motion to instruct conferees called for all of the cuts to child support enforcement funding to be eliminated, but the conference report includes a net cut of \$1.5 billion. This cut will reduce states' ability to help families receive child support that is owed to them. The Congressional Budget Office (CBO) estimates that this policy change will reduce child support collections by \$2.9 billion over five years and \$8.4 billion over ten years.

***Increases in Medicaid Beneficiary Costs and Cuts to Benefits*** — The motion to instruct conferees called for elimination of several provisions that would increase beneficiary co-payments and premiums, and cut Medicaid benefits; the conference report retains the bulk of these benefit cuts and increases in beneficiary costs. There is extensive research showing that increasing cost-sharing for low-income people results in a decline in use of health care services and worsening of health status. In fact, CBO finds that a large share of the savings from this legislation comes from reduced use of services caused by higher cost-sharing, and from fewer eligible beneficiaries enrolling because of the premiums.

***Student Loan Fees*** — The motion to instruct called for conferees to, among other things, reduce student fees in the House bill to the maximum extent possible, but the conference report retains a fee that alone could cost students up to \$1.5 billion. The House bill mandated an insurance fee on guaranteed loans that banks now often waive. The conference report still requires that lenders collect that 1 percent insurance fee, but allows lenders to decide whether the fee comes directly from students' pockets or the lenders' own operating expenses. If lenders choose to collect the fee from students, this fee alone would add almost \$200 to the loan burden of the typical student who now graduates with a loan debt of \$17,500. The Senate bill eliminated the student-paid insurance fee and instead required that lenders pay it.

***PPO Slush Fund*** — The motion to instruct called for conferees to eliminate a \$10 billion "slush fund" included in the Medicare Modernization Act to entice private preferred provider organizations (PPOs) into the Medicare program. The conference report rejects the motion to instruct conferees by leaving this "slush fund" in place. There are going to be an overwhelming number of choices for seniors next year with 65 regional PPO plans in 21 regions – clearly private plans do not need any additional enticement to participate in Medicare. Elimination of this fund is consistent with a recommendation from the Medicare Payment Advisory Commission (MedPAC), and would save \$5.4 billion over five years.

***Medicare Physician Payments*** — The motion to instruct called for conferees to adopt the Senate position by providing physicians with a 1 percent update in 2006. Instead, the conference report freezes payments at the 2005 level.

***Byrd Amendment*** — The motion to instruct called for the repeal of the Byrd Amendment included in the House bill to be dropped from the conference report, but the conference report includes a delayed version of the repeal. Repeal of the Byrd Amendment means that duties on unfair foreign trade collected after fiscal year 2007 will no longer be distributed to affected American businesses; since 2001 approximately 770 American companies have benefitted from these distributions. This legislation is a significant drawback for those American industries attempting to compete with foreign firms that unfairly trade their goods in the United States.

# Conference Report Rejects Motion to Instruct

Provision	Motion to Instruct	Conference Report
Child Support Enforcement	Eliminate All Funding Cuts	Retains \$1.5 Billion in Cuts
Medicaid	Drop Increases in Medicaid Beneficiary Costs and Cuts to Benefits	Retains Most Beneficiary Cuts and Cost Increases
Student Loans	Maximum Reduction of Student-Paid Fee Increases	Up to \$1.5 Billion in New Fees on Students
Medicare	Eliminate PPO "Slush" Fund	Retains PPO "Slush" Fund
	Provide Physicians With 1 Percent Update in 2006	Freezes Payments at 2005 Level
Trade	Eliminate Repeal of Byrd Amendment	Includes Delayed Repeal of Byrd Amendment